ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 31, 2018

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **August 1, 2018**

DATE: July 12, 2018

TO: Public Utility Commission

FROM: Paul Rossow PR

THROUGH: Jason Eisdorfer and JP Batmale JP8

SUBJECT: IDAHO POWER COMPANY: (Docket No. ADV 808/Advice No. 18-07) Schedule 78 - Residential Energy Conservation Program. This filing proposes to update the values used in the cost-effectiveness limits for residential conservation measures.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Idaho Power or Company) Advice No. 18-07, updating the values used in Idaho's cost-effectiveness limits (CEL) for residential conservation measures identified in Schedule 78.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Advice No. 18-07 with updates to the values used in Idaho's cost-effectiveness limits for residential conservation measures.

Applicable Rule or Law

ORS 757.205 requires all public utilities to file with the Commission all rates, tolls, and charges that it has established. ORS 469.633 and ORS 469.635 require all investor-owned utilities to have an approved residential energy conservation program that makes available to all residential customers utility information about energy conservation measures; and makes energy conservation measure financing available to dwelling owners.

Generally, energy efficiency programs offered by a utility must be cost-effective or meet the criteria for a cost-effectiveness exception set out in the Commission's guidelines for calculation and use of conservation cost-effectiveness limits in Order No. 94-590.

ORS 469.631(4) defines "cost-effective" and OAR 860-030-0010 similarly defines "cost effective" and lists the types and life-cycles of energy conservation measures. OAR 860-030-0010(1) provides that "cost-effective," as defined in ORS 469.631(4), relates to an energy conservation measure's cost, life cycle, and the cost of alternative energy facilities. An energy utility's cost-effectiveness calculations should be consistent with the utility's most recently acknowledged least-cost plan, pursuant to Order No. 89-507.

Analysis

On June 21, 2018, Idaho Power filed Advice No. 18-07 requesting authorization to update its Schedule 78, Residential Energy Conservation Program ("Program"). The update to the CEL includes a minor change to conform to Staff's recommendation as outlined in Staff's Report dated August 10, 2016.[1] Staff recommended that Idaho Power explore in its next Integrated Resource Plan (IRP) using the same cost-effectiveness methodology for all of its energy efficiency measures and discontinue the use of the alternative cost-effectiveness methodology in Schedule 78 for a small number of measures.

During a conference call on May 23, 2018, both the Company and Staff agreed to support the use of the same alternate cost inputs used in the cost-effective methodology for all its energy efficiency measures, as detailed in Idaho Power's Demand Side Management (DMS) annual report. With respect to the Program, the Company proposes updates by basing its CEL computation with DSM Alternate Cost inputs from the Company's 2017 Integrated Resource Plan.

[1] Docket No. ADV339/Advice No. 16-11 Staff Report for the August 16, 2016 Public Meeting, available at: http://oregonpuc.granicus.com/MetaViewer.php?view_id=1&clip_id=116&meta_id=5682.

The tables below summarizes the updated inputs and CELs, respectively.

Inputs:	Nominal Discount Rate[2]	6.74%
	Escalation Rate[3]	2.10%
	Line Losses[4]	9.60%
	Real Discount Rate[5]	4.54%

Measure Life	Present Value Alternate Costs Mid-Year ($/kWh)	Avoided Losses ($/kWh)	10% Conservation Credit ($/KWh)	Oregon Cost-effective Limit ($/kWh)
Storm Doors – 7 Years	0.19	0.02	0.02	0.24
Storm Windows – 15 Years	0.38	0.04	0.04	0.46
Chapter 53 Windows – 25 Years	0.54	0.05	0.06	0.65
Attic/Ceiling/Wall/Floor/ Doors/Windows – 30 Years	0.59	0.06	0.07	0.72

Additionally, OAR 860-030-0010 deems the measure lives listed above. Several of these are out of date, based on research of Regional Technical Forum and Energy Star information. Staff intends to work with Idaho Power over the next year to either determine whether updates to this rule section should be proposed or determine that a waiver is appropriate, as these measures may no longer be cost-effective using industry standard data.

Conclusion

Based on the conference call as well as a review of the data submitted by Idaho Power, Staff believes it is appropriate to update the Program CEL computation with the DSM Alternate Cost inputs from the 2017 Integrated Resource Plan acknowledged by the Commission on May 23, 2018 because it addresses Staff's concerns raised in 2016.

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[2] Nominal Discount Rate is weighted average cost of capital (2016 year ending after tax) from Docket LC 68, 2017 Idaho Power IRP, Table DSM-1, IRP Financial Assumptions on page 63 of Technical Appendix.

[3] Escalation Rate is financial escalation factor from Docket LC 68, 2017 Idaho Power IRP, Table DSM-1. IRP Financial Assumptions on page 63 of Technical Appendix.

[4] Lines losses are Non-summer secondary losses from Table DSM-1. IRP Financial Assumptions on page 63 of 2017 Idaho Power IRP Technical Appendix.

[5] Real Discount Rate is a result of the calculation: ((1+Nominal Discount Rate)/(1+Escalation Rate))-1.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's Advice No. 18-07 updating the values used in the quantification of the CELs for residential conservation measures.